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Military Market

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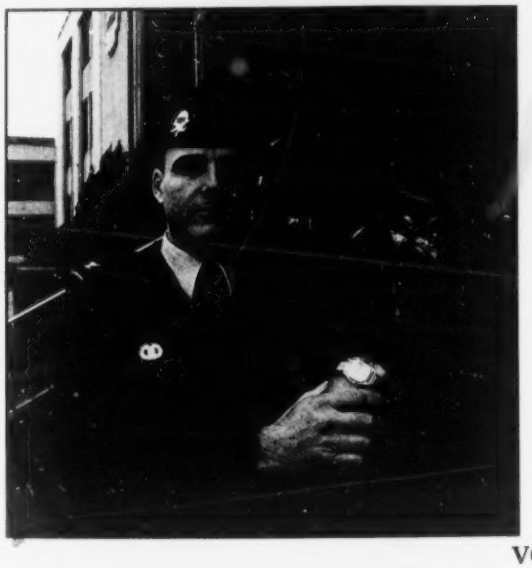

STEVE ELFERS

MAY 1990 VOL. 41, NO. 5

☐ House plans May/June investigation of Navy inventory shrinkage in San Diego. ☐ The Jones Commission — DLA is the newest hat in the management ring; the transfer of responsibility and what it means; the lobbying behind the delays. ☐ VCS Director Robert Mantica is reassigned pending investigation. ☐ Marine Corps Col. Tom Loughlin to head "Jones II." ☐ A stronger German currency takes a rude bite out of AAFES services prices. ☐ Europe drawn down to five regions — Frankfurt district disestablished. ☐ DoD rescinds certain hiring freeze policies. ☐ Commissary and exchange priviledges may be offered as part of a severance package. 10

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Military Market Index

COMMISSARIES		JANUARY			YEAR-TO-DATE		
		CY'89	CY'90	% CHANGE	CY'89	CY'90	% CHANGE
	CONUS	$110,990	$121,905	+9.83	$110,990	$121,905	+9.83
	OVERSEAS	42,000	42,525	+1.25	42,000	42,525	+1.25
ARMY	**TOTAL**	**152,990**	**164,430**	**+7.48**	**152,990**	**164,430**	**+7.48**
	CONUS	156,979	178,218	+13.53	156,979	178,218	+13.53
	OVERSEAS	33,138	38,331	+15.67	33,138	38,331	+15.67
AIR FORCE	**TOTAL**	**190,117**	**216,549**	**+13.90**	**190,117**	**216,549**	**+13.90**
	CONUS	59,179	65,208	+10.19	59,179	65,208	+10.19
	OVERSEAS	6,842	7,222	+5.55	6,842	7,222	+5.55
NAVY	**TOTAL**	**66,021**	**72,430**	**+9.71**	**66,021**	**72,430**	**+9.71**
	CONUS	13,314	15,076	+13.23	13,314	15,076	+13.23
	OVERSEAS	285	273	–4.21	285	273	–4.21
MARINE CORPS	**TOTAL**	**13,599**	**15,349**	**+12.87**	**13,599**	**15,349**	**+12.87**
	CONUS	256	260	+1.56	256	260	+1.56
	OVERSEAS	316	265	–16.14	316	265	–16.14
COAST GUARD	**TOTAL**	**572**	**525**	**–8.22**	**572**	**525**	**–8.22**
	CONUS	$340,718	$380,667	+11.72	$340,718	$380,677	+11.72
	OVERSEAS	$82,581	$88,616	+7.31	$82,581	$88,616	+7.31
ALL COMMISSARIES	**TOTAL**	**$423,299**	**$469,283**	**+10.86**	**$423,299**	**$469,283**	**+10.86**

EXCHANGES		JANUARY			YEAR-TO-DATE		
	CONUS	$237,650	$280,099	+17.86	$237,650	$280,099	+17.86
	OVERSEAS	200,477	214,638	+7.06	200,477	214,638	+7.06
AAFES	**TOTAL**	**438,127**	**494,737**	**+12.92**	**438,127**	**494,737**	**+12.92**
	CONUS[2]	838	1,015	+21.12	838	1,015	+21.12
	OVERSEAS[2]	1,066	1,750	+64.17	1,066	1,750	+64.17
MAIL ORDER	**TOTAL[3]**	**1,904**	**2,765**	**+45.22**	**1,904**	**2,765**	**+45.22**
	ConUS[4]	79,272	87,574	+10.47	79,272	87,574	+10.47
	OVERSEAS[4]	37,788	38,390	+1.59	37,788	38,390	+1.59
NAVY	**TOTAL[4]**	**117,060**	**125,964**	**+7.61**	**117,060**	**125,964**	**+7.61**
	CONUS	18,465	22,842	–23.70	18,465	22,842	–23.70
	OVERSEAS	3,897	3,034	–22.15	3,897	3,034	–22.15
MARINE CORPS*	**TOTAL[2]**	**22,362**	**25,876**	**+15.71**	**22,362**	**25,876**	**+15.71**
	CONUS[2]	6,662	6,862	+3.00	6,662	6,862	+3.00
	OVERSEAS[2]	584	596	+2.05	584	596	+2.05
COAST GUARD	**TOTAL[2]**	**7,246**	**7,458**	**+2.93**	**7,246**	**7,458**	**+2.93**
	CONUS	$342,887	$398,392	+16.19	$342,887	$$398,392	+16.19
	OVERSEAS	$243,812	$258,408	+5.99	$243,812	$258,408	+5.99
ALL EXCHANGES	**TOTAL**	**$586,699**	**$656,800**	**+11.95**	**$586,800**	**$656,800**	**+11.95**

1) Source: U.S. Department of Commerce. 2) MM estimate, based on official data. 3) Includes consolidated sales for all services, including Coast Guard. 4) Does not include sales of ships stores. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.
*Because of MWR consolidation, Marine Corps exchange sales in 1990 are not comparable to 1989 sales.

Marty Baumann

1989 Million-Dollar Suppliers to Navy Exchanges

This is a list of 183 suppliers who did $1 million or more in worldwide business with Navy exchanges during fiscal year 1989, which ran from February 1989 to January 1990.

Companies are listed in descending order of their worldwide *gross* sales; these figures *do not* include vendor discounts which may have been supplied. Payment amounts were compiled from invoices of companies on the list of all suppliers on NAVRESSO's prepaid system. Dollar amounts were collected from all ConUS and overseas regions, and were merged, compiled and reported by finance personnel at the headquarters of the Navy Resale and Services Support Office.

Note that, in some cases, especially soda bottlers, payments to separate firms have been consolidated to show as a single payment. In some other cases (Pepsi and Eurpac, for example), payments are shown as being made to different companies.

A similar listing of 1989's $1 million suppliers to the Army and Air Force Exchange Service was published by MILITARY MARKET in the March 1990 issue. Because the NAVRESSO list shows gross payments, and the AAFES list shows net payments, the two lists are not comparable.

Readers who wish to obtain a free complete copy of the AAFES list, which shows both ConUS and offshore net payment amounts, should contact MILITARY MARKET MAGAZINE, 6883 Commercial Dr., Springfield, VA 22159-0210, and ask for a copy of the AAFES Million Dollar Vendor List.

Rank	Firm	WW Gross Payments
1	Philip Morris	$28,687,151
2	Gasco Gasoline	20,980,295
3	Coca Cola (consolidated)	19,917,237
4	R.J. Reynolds Tobacco	19,871,340
5	Pepsi Cola (consolidated)	11,098,052
6	Sharp Electronics	10,241,087
7	Brown & Williamson Tobacco	10,066,971
8	American Greetings	9,362,691
9	Eurpac West	9,288,638
10	Procter & Gamble	9,245,049
11	Levi Strauss	8,286,039
12	American Tobacco	7,953,560
13	Eastman Kodak	7,884,350
14	Nike Inc.	7,738,098
15	Anheuser Busch	7,548,952
16	JVC Co.	7,461,018
17	Chevron USA	7,136,334
18	Wolverine World Wide	7,067,038
19	Dreyfus Energy	6,939,452
20	Whirlpool Corp.	6,752,679
21	Promana Inc.	6,653,968
22	Eurpac East	6,528,048
23	Hanes	6,032,534
24	Citgo Petroleum	6,024,375
25	RTA International	6,993,957
26	Frito Lay Inc.	5,757,271
27	Revlon Government Sales	5,720,468
28	Creighton Inc.	5,706,136
29	ARA Services Magazines & Books	5,411,964
30	Sony	5,390,382
31	Liz Claiborne	5,054,357
32	Exxon Co.	5,012,107
33	Thomson Consumer-RCA	4,978,941
34	Zenith Electronics	4,800,484
35	Panasonic	4,684,873
36	Vanguard Military Equipment	4,198,198
37	Nintendo of America	4,058,237
38	Seagoing Uniform Corp.	4,048,221
39	Lorillard	4,044,746
40	Bib Distributing	3,949,274
41	John K. Kealy Co.	3,947,519
42	Lieberman Enterprises Inc.	3,910,681
43	Commodore Business Machines	3,780,594
44	Miller Brewing Co.	3,769,309
45	Mansfield Oil Co.	3,759,355
46	Black & Decker	3,631,318
47	Reebok International	3,615,177
48	Applied Graphics	3,572,233
49	C. Lloyd Johnson Co.	3,562,973
50	Texaco	3,509,652
51	NCR Corp.	3,446,306
52	Southern Apparel	3,433,615
53	Beverages, Foods & Services (Pepsi)	3,426,900
54	Rivercity Petroleum	3,408,873
55	Joseph E. Seagram & Sons	3,381,109
56	3M Corp.	3,374,293
57	Goodyear International	3,350,088
58	BP Oil	3,246,492
59	Vanguard Industries West	3,213,427
60	M&M Mars	3,133,673
61	VSA	3,038,324
62	Pioneer Electronics	3,007,832
63	Weintraub Brothers	2,907,953
64	M.J. Soffe	2,891,492
65	B. Lippman	2,864,293
66	Fieldcrest Cannon Mills	2,762,294
67	Monarch Crown Corp.	2,715,233
68	Gillette Co.	2,711,349
69	Belcher Gas Co.	2,709,084
70	Handleman Co.	2,698,146
71	AT&T Consumer Products	2,685,417
72	Apple Computer	2,677,034
73	Encore International	2,666,663
74	Gruen Marketing Group	2,594,800
75	Davis Clothing Co.	2,554,827
76	Nabisco Brands	2,550,682
77	Pauling & Co.	2,547,087
78	Southern Wine & Spirits	2,534,375
79	Associated Distributors	2,495,654
80	Ogden Foods	2,436,289
81	Johnson & Johnson	2,370,765
82	Haggar Apparel	2,,361,319
83	Fisher Price Toys	2,340,558
84	Brigade Brands	2,248,645
85	Teleflora Inc.	2,241,664
86	Minolta	2,115,812
87	Jockey International	2,104,984
88	Eveready Battery	2,086,034
89	Pendleton Woolen Mills	2,084,041
90	Duval Spirits Co.	2,075,933
91	Hawaiian Isles Distributors	2,055,331
92	Huffy Corp.	2,034,670
93	Gucci	2,002,605
94	Kenwood USA Corp.	2,001,088
95	Washington State Liquor Control Board	1,998,925
96	Rubbermaid	1,998,850
97	N.V. Spring	1,988,450
98	Elizabeth Arden	1,962,008
99	Michelin Tire	1,949,066
100	Polaroid Corp.	1,942,747
101	Youngs Market	1,922,183
102	Timex Corp	1,903,943
103	Philips Consumer	1,882,834
104	Mattel Toys	1,881,592
105	Koret of California	1,839,652
106	Gator Warehouse	1,831,433
107	Flemming Co.	1,830,161
108	Maidenform	1,781,308
109	Orit	1,759,036
110	Waterford Wedgewood	1,731,966
111	Eagle Distributors	1,726,866
112	Hershey Chocolate	1,726,463
113	Hiram Walker	1,725,312
114	American Distributors	1,704,772
115	Consolidated Distributing Co.	1,655,244
116	N. Goldring Corp.	1,562,730
117	Hoffman Beverage	1,631,920
118	Heublein Inc.	1,592,283
119	James River Corp.	1,590,084
120	MDS Unlimited/Tass	1,584,524
121	Samsonite Luggage	1,574,487
122	Arrow Co.	1,565,864
123	Chevron Chemical	1,565,125
124	Jim Beam Brands	1,542,767
125	F.H. Anthony Associates	1,537,840
126	Warner Lambert	1,537,063
127	Gulf Products	1,502,950
128	A.B. Distributors	1,473,590
129	Kimberly Clark Corp.	1,466,214
130	Designer Fragrance of Mens	1,462,658
131	Palisades Wholesale	1,460,376
132	Colgate Palmolive	1,443,216
133	Hilborn Hamburger	1,439,302
134	National Vendor	1,410,370
135	Gekay Sales & Service	1,403,929
136	Robert Tabakow	1,392,606
137	Norfolk Beverage	1,380,764
138	Planters Lifesavers Co.	1,352,854
139	Bose Corp.	1,347,451
140	Artex Mfg.	1,344,470
141	Bugle Boy	1,336,369
142	Bacardi Imports	1,326,403
143	Lenox	1,324,210
144	Sandberg & Sikorski	1,311,778
145	Eureka Co.	1,291,666
146	Kayser Roth Hosiery	1,282,656
147	Old Dominion Tobacco	1,280,996
148	Gallo Winery	1,236,202
149	Murray Ohio Manufacturing	1,219,561
150	Smith Corona	1,216,451
151	Playtex	1,205,239
152	Gold Star Electronics	1,202,344
153	Munson Sporting Goods	1,180,124
154	Mercury Luggage	1,145,475
155	Velva Sheer Manufacturing	1,138,702
156	Seven Up (consolidated)	1,133,160
157	Estee Lauder	1,115,085
158	Playskool Inc.	1,102,284
159	Bausch & Lomb	1,100,903
160	Neal Tyler & Sons	1,093,338
161	Hoover Co.	1,079,856
162	Shell of Puerto Rico	1,075,032
163	Calvin Klein	1,070,261
164	Baskin Robbins	1,063,091
165	Glidden	1,158,539
166	Oster	1,057,521
167	Samsung Electronics	1,056,902
168	Pennzoil	1,055,861
169	Atlantic Wine & Spirits	1,055,009
170	Stroh Brewery	1,041,977
171	Hecht Distributing Co.	1,037,986
172	Bulova Watch	1,033,606
173	Lever Brothers	1,029,805
174	Symphonic Corp.	1,026,826
175	Pentax	1,018,784
176	Island Beverage Co.	1,014,053
177	Oshkosh B Gosh	1,011,925
178	Coleman Co.	1,011,661
179	Star Micronics	1,007,364
180	Corning Inc.	1,005,448
181	Imperial World	1,004,573
182	Service Electronics	1,001,542
183	W.C. Bradley Co.	1,001,426

Market Report

In the World of Juice and Soft Drinks

To Quench the

by Michelle Zelsman, Associate Editor

JUICED-UP BY HEALTH concerns, military parents are rearing their children on natural drinks. Claims by many beverage manufacturers that "we are the No. 1 (fill in the blank)" should put the current generation of military brats in fine fettle.

The continuing "it's good for you, America" trend has been a major contributor to the success the juice business has savored over the past decade, according to many industry sources.

Besides the health trend, the current buzz word for the juice industry is "refreshing," said Robert O'Toole, military sales manager for Ocean Spray Cranberries, Inc. O'Toole told MILITARY MARKET that today's health-educated shopper wants two things: to buy a good-for-you additive-free product and also to be refreshed at the same time.

"Ocean Spray is a pioneer" in the juice industry, according to O'Toole. The company's most recent venture is a shelf-stable concentrate in aseptic packaging. He said other companies "are watching closely" to see what happens with the new product before introducing similar items. The new product is a "straight concentrate," which is mixed with water to the consumer's taste. O'Toole said the shelf-stable concentrate will provide "huge savings" to shoppers over its own 48-ounce bottled product.

Tropicana claims it's No. 1 in the chilled, ready-to-serve juice category, appealing to families with little time for food preparation. Terri Holloway, manager of employee and community relations, said the past five years have been "phenomenal" for Tropicana, due to a combination of new introductions, new packaging and more convenience offered to consumers.

She told MILITARY MARKET that "every 100 days, we come out with new packaging or new product ideas." Tropicana's goal for the 1990s, Holloway said, is to be the "undisputable leader in the juice and juice drink industry."

Tropicana's flagship — pure premium orange juice, which has "never been reduced to concentrate" — continues to do very well, said Holloway. Consumers "realize quality and are willing to spend extra money for that quality," she added.

The Tropicana Twister, introduced in May of 1988, continues to be the "big seller"in juice drinks for Tropicana, according to Holloway. Largely due to the success of shelf-stable Twister, the company recently released new frozen Twisters in the 12 ounce size. *(See New Products, page 47.)* The frozen product has "a lot of [growth] potential," said Holloway.

While Tropicana continues to be strong in the chilled juice business, Dole is getting out of the category.

Bruce Mack, business and sales manager for special markets at Dole, said his company's chilled juices are being deleted from the military market effective this June because Dole's chilled juices are "not moving in the military."

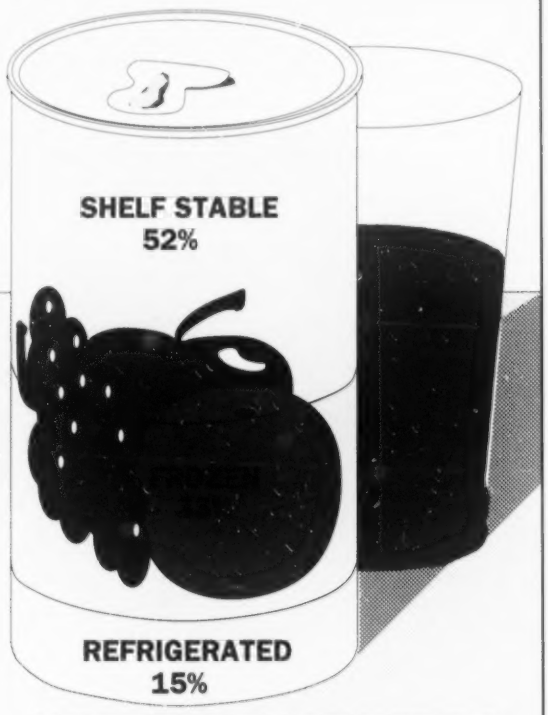
Mack said that there was a lot of cost involved in providing chilled juices to commissaries and that limited shelf space in the stores was not allowing for sufficient profit for the company. He added that the military is "not receptive" to changing times, which require more chilled shelf space in grocery stores.

Holding the No. 1 slot in the frozen category is Coca-Cola Foods' Minute Maid frozen orange juice, said Sabra Clinefelter, sales promotion and administration manager.

Minute Maid captured more than half of the total frozen orange juice category in the military.

BUYING WARM

Fruit juices and fruit drinks are available in three different forms, but military customers clearly prefer to buy their's warm.



Total ConUS Military Annual Dollar Volume $116,669 Million

Source: MAMI

Joanne Ostendorf

the Trend is

Thirst for Health

Market Report

Large sizes seem to sell better in commissaries, said Clinefelter, who added that this trend is probably due to the military customer's infrequent shopping visits. She said the 96-ounce chilled juice "is coming on stronger [and] doing real well."

In the juice drink category, Capri Sun holds the No. 1 spot, said Bruce MacLaren, director of military sales. "The issue of convenience and the focus on content" seems to be what attract people to Capri Sun's ready-to-drink juice, he said.

MacLaren said he is seeing larger sizes holding strong in the military. Popular among the younger generation, Capri Sun's 10-pack size does well in commissaries. However, a three-pack size, recently introduced in exchanges, has not been profitable. Its future in exchanges is uncertain, added MacLaren.

Outselling all other apple juice in America, Seneca claims the No. 1 spot in this category, according to Robert Swears, military sales manager. The consumer acceptance which Seneca enjoys is due to the fact that Seneca's juice "has been around forever" and that it is seen as a health-oriented product.

Swears said he believes that the anticipated troop reductions could affect Seneca's military sales as much as 30 percent, particularly in Europe. He also said that "the military, as a trade, will take [the cutbacks] on the chin for the next four to five years."

According to Pepsi spokeswoman Leigh Curtin, the so-called "cola wars" have turned into a "pillow fight . . ."

SOFT DRINKS

THE MILITARY'S EMPHASIS on physical fitness means military people drink proportionately more diet sodas than their civilian counterparts. Despite fears that health consciousness would cause soft drink sales to fall, manufacturers say the per capita consumption of carbonated drinks now exceeds all other beverages, including water.

James Pollan, vice president for worldwide military markets at Coca-Cola USA, told MILITARY MARKET that diet products account for a third of all soft drink sales. He also said that diet drinks "continue to grow faster than the industry." As a result, Coca-Cola expects diet soda sales to exceed 50 percent of the market over the next decade.

Coca-Cola USA is introducing a caffeine-free Coke Classic into commissaries. The caffeine-free segment, Pollan believes, is "currently the fastest growing soft drink segment."

Soft drink consumption grew by almost 40 percent during the 1980s, said Pollan. He attributed this to the fact that people are drinking more sodas, they are drinking them more often, and that "there are better tasting diet soft drinks" than before. Pollan expects the trend to continue.

According to Pepsi spokeswoman Leigh Curtin, the so-called "cola wars" have turned into a "pillow fight rather than a real war." To challenge Coca-Cola's dominance, Pepsi "continues to be innovative" with new products.

One of them, Pepsi A.M., a high caffeine morning drink intended to lure coffee drinkers, remains under test in Waterloo, Iowa. *The Wall Street Journal* reported that "at one County Market store, a big Waterloo grocer, sales of diet and regular Pepsi A.M. have slid to 43 cases in late March from 256 cases in December." Andrew Giangola, another Pepsi spokesman, told MILITARY MARKET that the company "intends to give a good hard look [at Pepsi A.M.] before making any decision about its future."

Another product still in the testing stage, Mountain Dew Sports, is a sports drink that is lighter in carbonation and lower in sugar than regular Mountain Dew. Spokeswoman Curtin said the product will be expanded into a second test market, based on early satisfactory results in a first test.

A third new product, $H_2Oh!$, a bottled water, is "holding its own" in its Denver test market, where there are "10 or more [other] bottled waters." Curtin was unable to say when the test might expand.

As a product group, Dr. Pepper does much better in the military than it does in the civilian market. In 1989, Dr. Pepper, regular and diet types taken together, held about 4.4 percent of total military soft drink market share domestically and 5.3 percent overseas. In a February 1990 Nielsen store report, the two products held about 3.5 percent of the civilian market, according to Ken Couvillion, vice president of military sales for the Dr. Pepper/7-Up Companies. Dr. Pepper and 7-Up do better in the military than in the civilian market, Couvillion said, because the target groups for the two products — 13 year olds to 34 year olds — are proportionately higher in the military than in the civilian business.